FISCAL NOTE

SB 3392 - HB 3962

March 13, 2006

SUMMARY OF BILL: Establishes the "Fair Share Health Care Fund" which is a special agency account within the state general fund to assist in the financing of health coverage for uninsured workers and may be used to support the operations of TennCare and to help uninsured workers and their dependents obtain health care coverage through another state program.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Should the three for-profit employers that the bill applies to currently pay less than 8% of gross payroll towards health care expenditures and comply with the requirements of the bill, there would be an increase to state revenues earmarked to the Fair Share Health Care Fund ranging from $250,000 to $17,500,000 per employer. Should the one nonprofit employer that the bill applies to currently pay less than 6% of gross payroll towards health care expenditures and comply with the requirements of the bill, there would be an increase to state revenues earmarked to the Fair Share Health Care Fund ranging from $250,000 to $12,500,000. Should none of the employers comply with the requirements of the bill, it will result in an increase in state revenues to the fund which exceeds $200,000 due to the payment of a $50,000 civil penalty imposed on each employer.

Assumptions:

- For-profit employers with 10,000 or more employees that do not pay at least 8% of the gross payroll on health care expenditures will pay an amount equal to the difference between what is paid and 8% of total wages. Nonprofit employers with 10,000 or more employees that do not pay at least 6% of the gross payroll on health care expenditures will pay an amount equal to the difference between what is paid and 6% of total wages.
- In 2005, there were only three for-profit employers and one nonprofit employer in the state that met the criteria of the bill and each had a payroll greater than $250,000,000. The for-profit employers would have to pay 8% of gross payroll or $20,000,000 to be exempt from contributing to the fund while the nonprofit employer would have to pay 6% of gross payroll or $15,000,000 to be exempt.

- If for-profit employers are currently paying 7.9% of payroll towards health care expenditures, the employer would owe $250,000 to the fund. If the employer is paying 1% of payroll towards health care expenditures, the employer would owe $17,500,000 to the fund.
- If a for-profit employer pays less than 7.98% of the gross payroll or $19,950,000 towards health care expenditures, the difference that the employer would pay would be greater than the fine of $50,000 for not paying.
- If the nonprofit employer is currently paying 5.9% of payroll towards health care expenditures, the employer would owe $250,000 to the fund. If the employer is paying 1% of payroll towards health care expenditures, the employer would owe $12,500,000 to the fund.
- If the nonprofit employer pays less than 5.98% of the gross payroll or $14,950,000 towards health care expenditures, the difference that the employer would pay would be greater than the fine of $50,000 for not paying.
- Four companies paying a fine of $50,000 each will increase revenues to the Fair Share Health Care Fund by $200,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director